

Teachings of the Worldly Philosophers: Reassessing the Case for Free Trade in Light of Smith, Ricardo, Rae and Marx

Robert W. Dimand¹
Brock University

Abstract: The great figures from the past of economics can provide valuable insight and perspective for the contemporary reassessment of the case for free trade. This paper examines less familiar but still highly relevant analyses of trade by two outstanding classical political economists, Adam Smith and David Ricardo, and two of the leading critics of classical political economy, John Rae and Karl Marx. There is more food for thought in the writings of these worldly philosophers than is commonly considered. Even the distinguished specialist literature on the history of trade theory can find more of importance to ponder.

JEL Classification: B12, F1

Keywords: Free trade; Classical political economy

Manuscript Received: January 6, 2005; Accepted: October 3, 2005

1. Introduction: The Teaching of the Worldly Philosophers

The great figures from the past of economics, the thinkers whom Robert Heilbroner hailed as “the worldly philosophers,” can provide valuable insight and perspective for the contemporary reassessment of the case for free trade. Free trade was an issue that was central to the emergence of classical political economy from Hume’s and Smith’s critique of mercantilism and also central to the thought of some of classical political economy’s leading critics, notably John Rae. Scholars have recently added substantially to understanding of the history of trade theory, including Bruce Elmslie (1994), Leonard Gomes (2003), Andrea Maneschi (1998a), and, from very different points of view about the case for free trade, Michael Hudson (1992) and Douglas Irwin (1996), in addition to chapters on trade in studies of individual economists such as Hollander (1973, 1979). Recently, as globalization and its consequences have given economists pause for reflection and reconsideration (see Bernstein 2004), Paul Samuelson (2004) invites economists to turn to David Ricardo and John Stuart Mill (Ricardo’s comparative advantage example plus Mill’s reciprocal offer curves and Mill’s assumption that people spend half their income on each of two goods) to help understand the effects on welfare and real wages rates of trade, invention and outsourcing in a world consisting of the United States and a China assumed to have labour productivities averaging one tenth the US level (Mill’s assumption about constant expenditure shares, such as would result from a Wicksell-Cobb-Douglas

utility function, permits exact indices of real national incomes and real world income). Samuelson (2004, 140) argues that his Ricardo-Mill model “will rebut any mainstream economist’s claims that the United States cannot suffer *long-term* harm from innovation abroad in a world free trade” (a controversial conclusion, provoking a reply by Jagdish Bhagwati, Arvind Panagariya, and T. N. Srinivasan in the next issue of the journal).

There is, however, much more to be gleaned from the teaching of the worldly philosophers. A barrier to appreciating what they have to offer is the belief of economists that we already know the classics, without the need to reread (or read) them: Ricardo’s trade theory is believed to be fully represented by four numbers, while Adam Smith is, for economists writing before the rediscovery of increasing returns, a polemicist for free trade with a crude vent-for-surplus theory of trade. For economists writing about the discovery of how to model increasing returns in formal models, Smith is the man who said, “The division of labour is limited by the extent of the market.” John Rae is remembered for having been credited by Mill with the infant industry argument. Even Samuelson (2004) never quite cites Ricardo or Mill, apart from Mill’s assumption of equal expenditure shares in his 1844 essay (reprinted in Dimand 2004a, Vol. 2). Beyond the edges of mainstream international economics, some notice is taken of other possible insights from the worldly philosophers. Neo-Ricardian trade theory, stressing the time-pattern of production and capital theory paradoxes drawing on reading Ricardo in light of Piero Sraffa, has a place in the North Holland *Handbook of Development Economics* (see Evans 1989a, 1989b) but not the *Handbook of International Economics*. The neo-Marxist argument that high-wage countries exploit low-wage countries through the exchange of commodities with different quantities of embodied labour (Emmanuel 1972) is outside even development economics, relegated to the discipline of geography (Forbes and Rimmer 1984), and has received a sharp critique from Samuelson (1976) on the grounds that people care about the quantities of goods they can buy and consume, not about the socially necessary abstract labour-time embodied in those goods.

This paper examines less familiar but still highly relevant analyses of trade by two outstanding classical political economists, Adam Smith (1776) and David Ricardo (1821), and two of the leading critics of classical political economy, John Rae (1825, 1834) and Karl Marx (1848). Smith, who wrote more about the exchange of Portuguese wine for English cloth than Ricardo did, was sharply critical of treaties of commerce that establishing trade-diverting free trade areas (such as Methuen Treaty between England and Portugal), an analysis worth recalling in an era of free trade agreements that form trading blocs. Smith’s appreciation of the productivity and output gains to be realized from extending the market and thus extending the division of labour was shaped by the longer-term trade creation of the 1707 Union between Scotland and England. Smith had the Highlands before him as an example of the problems of integrating a culturally distinct, economically less developed area into the international economy, a situation highly relevant to the current era of

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات